Mining and Metallurgical Company Norilsk Nickel

Interim condensed consolidated financial statements (unaudited)

for the six months ended 30 June 2013

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

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MINING AND METALLURGICAL COMPANY NORILSK NICKEL

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated on the independent auditors` review report on the review of interim condensed consolidated financial statements set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the interim condensed consolidated financial statements of Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" and its subsidiaries (the "Group").

Management is responsible for the preparation of interim condensed consolidated financial statements that present fairly consolidated financial position of the Group as at 30 June 2013 and consolidated statements of income, comprehensive income, cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

In preparing the interim condensed consolidated financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the interim condensed consolidated financial statements; and
- preparing the interim condensed consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management, within its competencies, is also responsible for:

- designing, implementing and maintaining an effective system of internal controls, throughout the Group;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking steps to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The interim condensed consolidated financial statements for the six months ended 30 June 2013 were approved by:

V.O. Potanin
General Director

S.G. Malyshev
Deputy General Director

Moscow, Russia
29 August 2013

ZAO KPMG
10 Presnenskaya Naberezhnaya
Moscow, Russia 123317

Telephone +7 (495) 937 4477
Fax +7 (495) 937 4400/99
Internet www.kpmg.ru

Auditors' Report on Review of Interim Condensed Consolidated Financial Information

To the Shareholders and Board of Directors

OJSC "Mining and Metallurgical Company Norilsk Nickel"

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of OJSC "Mining and Metallurgical Company Norilsk Nickel" (the "Company") and its subsidiaries (the "Group") as at 30 June 2013, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial information (the "interim condensed consolidated financial information"). Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting.* Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Audited entity: Open Joint Stock Company 'Mining and Metallurgical Company 'Norilsk Nickel'

Registered by Administration of Taimyr Autonomous District on 4 July 1997, Registration Number of the State Registration Certificate issued at the time of joint-stock company foundation No.07.

Registered in the Unified State Register of Legal Entities on 2 September 2002 by Inter-Regional Inspection No. 2 of the Ministry of Taxes and Charges of the Russian Federation in Taimyr (Dolgan-Nenets) Autonomous District, Registration No. 1028400000298. Certificate series 84 No. 000020058

Dudinka, Krasnoyarsk region, Russian Federation

Independent auditor: ZAO KPMG, a company incorporated under the Laws of the Russian Federation, a part of the KPMG Europe LLP group, and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Entered in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125628, Certificate series 77 No. 005721432.

Member of the Non-commercial Partnership "Chamber of Auditors of Russia". The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information as at 30 June 2013 and for the six month period then ended is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

I.V. Tokarev

Director (power of attorney dated 1 October 2010 No. 50/10)

ZAO KPMG

29 August 2013

Moscow, Russian Federation

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2013
US Dollars million

	Notes	For the six months ended 30 June 2013	For the six months ended 30 June 2012
CONTINUING OPERATIONS			
Revenue			
Metal sales	7	5,028	5,483
Other sales		537	446
Total revenue		**5,565**	**5,929**
Cost of metal sales	8	(2,603)	(2,599)
Cost of other sales		(530)	(455)
Gross profit		**2,432**	**2,875**
Selling and distribution expenses	9	(169)	(313)
General and administrative expenses	10	(381)	(363)
Impairment of property, plant and equipment		(65)	(16)
Other net operating expenses		(22)	(73)
Operating profit		**1,795**	**2,110**
Finance costs	11	(171)	(136)
Impairment of available for sale investments including impairment losses reclassified from other comprehensive income		(571)	–
Income from investments, net		27	17
Foreign exchange (loss)/gain, net		(225)	53
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition		–	8
Share of profits/(losses) of associates		34	(17)
Profit before tax		**889**	**2,035**
Income tax expense			
Current income tax expense		(346)	(607)
Deferred tax benefit		2	53
Total income tax expense		**(344)**	**(554)**
Profit for the period		**545**	**1,481**
Attributable to:			
Shareholders of the parent company		554	1,504
Non-controlling interests		(9)	(23)
		545	**1,481**
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to shareholders of the parent company (US Dollars per share)		3.5	9.5

The accompanying notes on pages 9 – 23 form an integral part of the interim condensed consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013

US Dollars million

	For the six months ended 30 June 2013	For the six months ended 30 June 2012
Profit for the period	**545**	**1,481**
Other comprehensive income/(loss)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Decrease in fair value of available-for-sale investments	(95)	(480)
Investments revaluation reserve reclassified from other comprehensive income to the income statement	41	–
Realised gain on disposal of available-for-sale investments	13	–
Effect of translation of foreign operations	107	24
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:	**66**	**(456)**
Items not to be reclassified to profit or loss in subsequent periods:		
Effect of translation to presentation currency	(981)	(251)
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods:	**(981)**	**(251)**
Other comprehensive loss for the period, net of tax	**(915)**	**(707)**
Total comprehensive (loss)/income for the period, net of tax	**(370)**	**774**
Attributable to:		
Shareholders of the parent company	(350)	798
Non-controlling interests	(20)	(24)
Total comprehensive (loss)/income for the period, net of tax	**(370)**	**774**

The accompanying notes on pages 9 – 23 form an integral part of the interim condensed consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

US Dollars million

	Notes	30 June 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	12	11,502	11,927
Intangible assets		66	74
Investments in associates		269	329
Other financial assets	13	879	1,587
Other taxes receivable		7	5
Deferred tax assets		64	68
Other non-current assets		177	170
		12,964	**14,160**
Current assets			
Inventories		3,195	3,197
Trade and other receivables		1,181	1,063
Advances paid and prepaid expenses		137	90
Other financial assets	13	49	255
Income tax receivable		175	195
Other taxes receivable		716	977
Cash and cash equivalents	14	1,809	1,037
		7,262	**6,814**
TOTAL ASSETS		**20,226**	**20,974**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	6	8
Share premium		1,254	1,511
Treasury shares	15	–	(8,692)
Other reserves	16	(1,209)	(349)
Retained earnings		10,451	20,353
Equity attributable to shareholders of the parent company		**10,502**	**12,831**
Non-controlling interests		131	109
		10,633	**12,940**
Non-current liabilities			
Loans and borrowings	17	5,624	2,497
Employee benefit obligations		35	56
Provisions		880	939
Deferred tax liabilities		518	573
		7,057	**4,065**
Current liabilities			
Loans and borrowings	17	1,250	2,526
Employee benefit obligations		377	498
Trade and other payables		664	696
Provisions		3	3
Derivative financial instruments		4	3
Income tax payable		5	18
Other taxes payable		233	225
		2,536	**3,969**
TOTAL LIABILITIES		**9,593**	**8,034**
TOTAL EQUITY AND LIABILITIES		**20,226**	**20,974**

The accompanying notes on pages 9 – 23 form an integral part of the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2013

US Dollars million

	For the six months ended 30 June 2013	For the six months ended 30 June 2012
OPERATING ACTIVITIES		
Profit before tax	**889**	**2,035**
Adjustments for:		
Depreciation and amortization	442	369
Impairment of property, plant and equipment	65	16
Excess of the Group's share in the fair value of net assets acquired over the cost of acquisition	–	(8)
Share of post-acquisition (profits)/losses and impairment of investments in associates	(34)	17
Finance costs and income from investments, net	144	119
Impairment of available for sale investments including impairment losses reclassified from other comprehensive income	571	–
Foreign exchange loss/(gain), net	225	(53)
Other	(69)	29
	2,233	**2,524**
Movements in working capital:		
Inventories	(167)	(404)
Trade and other receivables	9	(21)
Advances paid and prepaid expenses	(43)	(48)
Other tax receivable	156	(85)
Employee benefit obligations	(101)	(10)
Trade and other payables	(57)	96
Other taxes payable	14	78
Cash generated from operations	**2,044**	**2,130**
Interest paid	(76)	(114)
Income tax paid	(353)	(358)
Net cash generated from operating activities	**1,615**	**1,658**
INVESTING ACTIVITIES		
Acquisition of subsidiary, net of cash acquired	(15)	–
Contribution to associate and acquisition of associate	–	(16)
Purchase of property, plant and equipment	(874)	(1,105)
Proceeds from disposal of property, plant and equipment	15	13
Purchase of intangible assets	(10)	(10)
Purchase of other financial assets	(151)	(25)
Purchase of other long-term assets	(18)	(20)
Net change in deposits placed	126	(136)
Proceeds from sale of other financial assets	85	24
Net cash used in investing activities	**(842)**	**(1,275)**
FINANCING ACTIVITIES		
Proceeds from borrowings	4,464	467
Repayments of borrowings	(2,496)	(1,487)
Dividends paid by the Group	(1,914)	(1)
Proceeds from sales of treasury shares	2	–
Net cash generated from /(used in) financing activities	**56**	**(1,021)**
Net increase/(decrease) in cash and cash equivalents	**829**	**(638)**
Cash and cash equivalents at beginning of the period	**1,037**	**1,627**
Effects of foreign exchange differences on balances of cash and cash equivalents and translation to presentation currency	(57)	6
Cash and cash equivalents at end of the period	**1,809**	**995**

The accompanying notes on pages 9 – 23 form an integral part of the interim condensed consolidated financial statements

MINING AND METALLURGICAL COMPANY NORILSK NICKEL

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2013

US Dollars million

		Equity attributable to shareholders of the parent company							
	Notes	**Share capital**	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
Balance at 1 January 2012		**8**	**1,511**	**(8,692)**	**(848)**	**19,123**	**11,102**	**120**	**11,222**
Profit for the period		–	–	–	–	1,504	**1,504**	(23)	**1,481**
Other comprehensive loss:									
Effect of translation to presentation currency and translation of foreign operations	16	–	–	–	(226)	–	**(226)**	(1)	**(227)**
Decrease in fair value of available-for-sale investments	16	–	–	–	(480)	–	**(480)**	–	**(480)**
Total comprehensive income		–	–	–	**(706)**	**1,504**	**798**	**(24)**	**774**
Non-controlling interests in subsidiary acquired during the period		–	–	–	–	–	–	11	**11**
Dividends		–	–	–	–	(941)	**(941)**	–	**(941)**
Balance at 30 June 2012		**8**	**1,511**	**(8,692)**	**(1,554)**	**19,686**	**10,959**	**107**	**11,066**

The accompanying notes on pages 9 – 23 form an integral part of the interim condensed consolidated financial statements

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2013
US Dollars million

		Equity attributable to shareholders of the parent company							
	Notes	**Share capital**	**Share premium**	**Treasury shares**	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total**
Balance at 1 January 2013		**8**	**1,511**	**(8,692)**	**(349)**	**20,353**	**12,831**	**109**	**12,940**
Profit for the period		–	–	–	–	554	**554**	(9)	**545**
Other comprehensive income /(loss):									
Effect of translation to presentation currency and translation of foreign operations	16	–	–	–	(863)	–	**(863)**	(11)	**(874)**
Decrease in fair value of available-for-sale investments	16	–	–	–	(95)	–	**(95)**	–	**(95)**
Realised gain on disposal of available-for-sale investments	16	–	–	–	13	–	**13**	–	**13**
Investments revaluation reserve reclassified from other comprehensive income to the income statement	16	–	–	–	85	(44)	**41**	–	**41**
Total comprehensive loss		–	–	–	**(860)**	**510**	**(350)**	**(20)**	**(370)**
Cancellation of ordinary shares from treasury stock	15	(2)	(257)	8,689	–	(8,430)	–	–	–
Sale of shares from treasury stock	15	–	–	3	–	(1)	**2**	–	**2**
Non-controlling interests in subsidiary acquired during the period	5	–	–	–	–	–	–	43	**43**
Decrease in non-controlling interests due to increase in ownership of subsidiary		–	–	–	–	1	**1**	(1)	–
Dividends	15	–	–	–	–	(1,982)	**(1,982)**	–	**(1,982)**
Balance at 30 June 2013		**6**	**1,254**	–	**(1,209)**	**10,451**	**10,502**	**131**	**10,633**

The accompanying notes on pages 9 – 23 form an integral part of the interim condensed consolidated financial statements

US Dollars million

1. GENERAL INFORMATION

Organisation and principal business activities

Open Joint Stock Company "Mining and Metallurgical Company Norilsk Nickel" (the "Company" or "MMC Norilsk Nickel") was incorporated in the Russian Federation on 4 July 1997. The principal activities of the Company and its subsidiaries (the "Group") are exploration, extraction, refining of ore and nonmetallic minerals and sale of base and precious metals produced from ore.

Major production facilities of the Group are located in Taimyr and Kola Peninsulas of the Russian Federation, Australia, Botswana, Finland and South African Republic. The registered office of the Company is located in Russian Federation, Krasnoyarsk region, Dudinka, postal address: 2, Gvardeyskaya square, Norilsk, Russian Federation.

Foreign currency exchange rates

Exchange rates used in the preparation of the interim condensed consolidated financial statements were as follows:

	30 June 2013	30 June 2012	31 December 2012
Russian Rouble/US Dollar			
Period-end rates	32.71	32.82	30.37
Average for the period ended	31.02	30.64	31.09
Botswana Pula/US Dollar			
Period-end rates	8.77	7.76	7.89
Average for the period ended	8.31	7.56	7.73
Australia Dollar/US Dollar			
Period-end rates	1.09	0.98	0.96
Average for the period ended	0.99	0.97	0.97
South African Rand/US Dollar			
Period-end rates	9.89	8.29	8.49
Average for the period ended	9.19	7.95	8.21

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Group issues a separate set of IFRS interim condensed consolidated financial statements to comply with the requirements of Russian Federal Law No 208-FZ On consolidated financial statements ("208-FZ") which was adopted on 27 July 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements as at and for the year ended 31 December 2012 except for the adoption of new standards and interpretations effective as of 1 January 2013 as discussed below.

Changes in accounting policies

Adoption of new and revised standards and interpretations

IAS 19 *Employee Benefits (amended)* ("IAS 19")

As a result of amendments to IAS 19, the Group has changed its accounting policy. All actuarial gains and losses are now recognised immediately in other comprehensive income when they occur. Previously actuarial gains and losses were recognised as income or expense in profit or loss when the cumulative unrecognised actuarial gains or losses for the plan exceeded 10% of the higher of defined benefit obligation and the fair value of plan assets. The excess of cumulative actuarial gains or losses over 10% of the higher of defined benefit obligation and fair value of plan assets was recognised over the expected average remaining working lives of the employees participating in the plan.

The impact of adoption of amendments in IAS 19 on the interim condensed consolidated financial statements was assessed by management of the Group as immaterial.

IAS 34 *Interim financial reporting (amended)* ("IAS 34")

Amendments to IAS 34 require disclosing information about the carrying amounts and fair values of its financial instruments as set out in IFRS 7 *Financial Instruments* and IFRS 13 *Fair Value Measurement*. The disclosure was provided for the first time in the Group's interim condensed consolidated financial statements (refer to note 20).

Other standards and interpretations

Adoption of amendments to the following Standards and Interpretations detailed below did not have material impact on the accounting policies, financial position or performance of the Group:

- IAS 1 *Presentation of Financial Statements (amended);*
- IAS 16 *Property, Plant and Equipment(amended);*
- IAS 27 *Separate Financial Statements (amended);*
- IAS 28 *Investments in Associates and Joint ventures (amended);*
- IAS 32 *Financial Instruments: Presentation (amended)*
- IFRS 1 *First-time adoption of IFRS (amended)*
- IFRS 10 *Consolidated Financial Statements;*
- IFRS 11 *Joint Arrangements;*
- IFRS 12 *Disclosures of Interests in Other Entities;*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments, estimates and assumptions made by management of the Group and applied in these interim condensed consolidated financial statements for the six months ended 30 June 2013 are consistent with those applied in the preparation of annual consolidated financial statements of the Group for the year ended 31 December 2012, except for changes in accounting policies discussed in note 3.

US Dollars million

5. BUSINESS COMBINATION

Acquisitions during six months ended 30 June 2013

OJSC "Norilskgazprom"

On 1 March 2013, the Group acquired an additional 15.7% interest in OJSC “Norilskgazprom” (“Norilsgazprom”), a gas producing enterprise, for a cash consideration of USD 19 million, increasing its ownership in this company to 56.2%. Prior to this transaction, investment in Norilskgazprom was classified as an investment in associate.

Aggregated net assets of Norilskgazprom at the date of acquisition were as follows:

	Fair value
Property, plant and equipment (refer to note 12)	108
Inventories	27
Trade and other receivables	32
Advances paid and prepaid expenses	3
Other taxes receivable	5
Cash and cash equivalents	4
Loans and borrowings	(38)
Employee benefit obligations	(19)
Trade and other payables	(18)
Other current tax liabilities	(7)
Net assets at the date of acquisition	**97**

Net cash outflow on acquisition of subsidiary:

Cash consideration	19
Less: Cash and cash equivalents acquired	(4)
Net cash outflow on acquisition	**15**

Goodwill arising from the acquisition has been recognised as follows:

Total consideration transferred	19
Plus: non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of Norilskgazprom	43
Plus: fair value of previously held interest	39
Less: fair value of identifiable net assets acquired	(97)
Excess of the Group’s share in the fair value of net assets acquired over the cost of acquisition	**4**

The goodwill is attributable mainly to Norilskgazprom production facilities and the synergies expected to be achieved from integrating the company into the Group's existing business. The Group companies are the main consumers of gas produced by Norilskgazprom. The goodwill recognised as a result of the acquisition is not expected to be deductible for tax purposes.

Acquisition of Norilskgazprom has had no significant impact on the Group’s revenue and profit before tax from the date of acquisition till 30 June 2013. Has this business combination been effected at 1 January 2013, the Group’s revenue and net profit for the period ended 30 June 2013 would not have been significantly different.

US Dollars million

5. BUSINESS COMBINATION (CONTINUED)

Acquisitions during six months ended 30 June 2012

CJSC "Nordavia – Regional Airlines"

On 15 May 2012, the Group acquired additional 25% interest in CJSC "Nordavia – Regional Airlines" ("Nordavia"), for a cash consideration of USD 2 million, increasing its effective ownership in this company to 72.9%. Prior to this transaction, investment in Nordavia was classified as an investment in associate. At the date of acquisition the fair value of identifiable assets and liabilities of Nordavia was not material.

The remeasurement to fair value of the Group's interest in Nordavia held before the acquisition of controlling interest resulted in a gain of USD 20 million. This gain was recognised within income from investments.

Has this business combination been effected at 1 January 2012, the Group's revenue and net profit for the period would not have been significantly different.

6. SEGMENTAL INFORMATION

Operating segments are identified on the basis of internal reports on components of the Group that are reviewed by the General Director on a regular basis.

Management has determined "*Mining and metallurgy*" segment, which includes mining and metallurgy operations located in Russia and abroad, as the only reportable segment.

Other operations, which do not qualify as separate reportable segments based on quantitative thresholds for the six months ended 30 June 2013 and 2012, include energy and utility, transport and logistic services, research activities, repair and maintenance services.

The following tables present revenue, operating profit/(loss) and profit/(loss) for the period and other segmental information from continuing operations regarding the Group's reportable segments for the six months ended 30 June 2013 and 2012, respectively.

Six months ended 30 June 2013	**Mining and metallurgy**	**Other**	**Eliminations**	**Total**
Revenue from external customers	5,048	517	–	**5,565**
Inter-segment revenue	171	1,111	(1,282)	–
Total revenue	**5,219**	**1,628**	**(1,282)**	**5,565**
Operating profit/(loss)	1,856	(61)	–	**1,795**
Share in profits of associates	31	3	–	**34**
Profit/(loss) before income tax	949	(60)	–	**889**
Income tax expense	(327)	(17)	–	**(344)**
Profit/(loss) for the period	**622**	**(77)**	–	**545**

US Dollars million

6. SEGMENTAL INFORMATION (CONTINUED)

Six months ended 30 June 2012	**Mining and metallurgy**	**Other**	**Eliminations**	**Total**
Revenue from external customers	5,488	441	–	**5,929**
Inter-segment revenue	182	1,082	(1,264)	**–**
Total revenue	**5,670**	**1,523**	**(1,264)**	**5,929**
Operating profit/(loss)	2,136	(26)	–	**2,110**
Share in losses of associates	(14)	(3)	–	**(17)**
Profit/(loss) before income tax	2,076	(41)	–	**2,035**
Income tax expense	(537)	(17)	–	**(554)**
Profit/(loss) for the period	**1,539**	**(58)**	–	**1,481**

The following tables present assets and liabilities of the Group reportable segments at 30 June 2013 and 31 December 2012, respectively.

30 June 2013	**Mining and Metallurgy**	**Other**	**Eliminations**	**Total**
Investments in associates	241	28	–	**269**
Segment assets	15,997	3,960	–	**19,957**
Inter-segment assets and eliminations	1,766	859	(2,625)	**–**
Total segment assets	**18,004**	**4,847**	**(2,625)**	**20,226**
Segment liabilities	9,053	540	–	**9,593**
Inter-segment liabilities and eliminations	859	1,766	(2,625)	**–**
Total segment liabilities	**9,912**	**2,306**	**(2,625)**	**9,593**
31 December 2012				
Investments in associates	257	72	–	**329**
Segment assets	16,662	3,983	–	**20,645**
Inter-segment assets and eliminations	1,920	836	(2,756)	**–**
Total segment assets	**18,839**	**4,891**	**(2,756)**	**20,974**
Segment liabilities	7,512	522	–	**8,034**
Inter-segment liabilities and eliminations	836	1,920	(2,756)	**–**
Total segment liabilities	**8,348**	**2,442**	**(2,756)**	**8,034**

7. METAL SALES

	For the six months ended 30 June 2013	**For the six months ended 30 June 2012**
Nickel	2,222	2,680
Copper	1,266	1,307
Palladium	954	861
Platinum	489	527
Gold	97	108
Total	**5,028**	**5,483**

US Dollars million

8. COST OF METAL SALES

	For the six months ended 30 June 2013	For the six months ended 30 June 2012
Cash operating costs		
Labour	750	751
Consumables and spares	638	607
Expenses on acquisition of raw materials and semi-products	406	633
Outsourced third party services	291	309
Taxes directly attributable to cost of goods sold	144	99
Utilities	102	104
Transportation expenses	88	82
Sundry costs	41	63
Less: sales of by-products	(129)	(158)
Total cash operating costs	**2,331**	**2,490**
Amortisation and depreciation	394	333
Increase in metal inventories	(122)	(224)
Total	**2,603**	**2,599**

9. SELLING AND DISTRIBUTION EXPENSES

	For the six months ended 30 June 2013	For the six months ended 30 June 2012
Export custom duties	144	280
Transportation expenses	13	18
Labour	10	10
Other	2	5
Total	**169**	**313**

10. GENERAL AND ADMINISTRATIVE EXPENSES

	For the six months ended 30 June 2013	For the six months ended 30 June 2012
Labour	196	177
Taxes other than those directly attributable to cost of goods sold and income taxes	57	56
Third party services	48	59
Amortisation and depreciation	22	17
Transportation expenses	8	8
Other	50	46
Total	**381**	**363**

11. FINANCE COSTS

	For the six months ended 30 June 2013	For the six months ended 30 June 2012
Interest expense on borrowings	135	114
Other	36	22
Total	**171**	**136**

US Dollars million

12. PROPERTY, PLANT AND EQUIPMENT

	Mining assets and mine development cost	Non-mining assets	Non-mining capital construction-in-progress	Total
Cost				
Balance at 1 January 2013	**12,472**	**8,505**	**2,123**	**23,100**
Additions	458	–	412	**870**
Reclassifications between the groups	(3)	4	(1)	**–**
Transfers	–	338	(338)	**–**
Acquired on acquisition of subsidiary (refer to note 5)	–	51	57	**108**
Disposals	(37)	(28)	(5)	**(70)**
Effect of translation to presentation currency	(948)	(632)	(160)	**(1,740)**
Balance at 30 June 2013	**11,942**	**8,238**	**2,088**	**22,268**
Accumulated depreciation and impairment				
Balance at 1 January 2013	**(6,884)**	**(4,155)**	**(134)**	**(11,173)**
Charge for the period	(177)	(267)	–	**(444)**
Reclassifications between the groups	1	(1)	–	**–**
Eliminated on disposals	33	19	–	**52**
Impairment loss	(30)	–	(35)	**(65)**
Effect of translation to presentation currency	522	333	9	**864**
Balance at 30 June 2013	**(6,535)**	**(4,071)**	**(160)**	**(10,766)**
Carrying value				
At 1 January 2013	**5,588**	**4,350**	**1,989**	**11,927**
At 30 June 2013	**5,407**	**4,167**	**1,928**	**11,502**

As at 30 June 2013 included in mining assets and mine development cost is USD 2,924 million of construction in progress (31 December 2012: USD 2,908 million).

At 30 June 2013 the Group assessed external and internal indicators in order to determine whether property, plant and equipment should be impaired. Based on the assessment done by management it was determined that at 30 June 2013 impairment loss in the amount of USD 65 million was recognised in respect of specific individual items of fixed assets and capital construction in progress.

13. OTHER FINANCIAL ASSETS

	30 June 2013	31 December 2012
Non-current		
Available-for-sale investments in securities	813	1,389
Available-for-sale investments in convertible notes	–	80
Loans issued and other receivables	39	88
Promissory notes held to maturity	19	23
Bank deposits	8	7
Total non-current	**879**	**1,587**
Current		
Derivative financial instruments	46	–
Bank deposits	2	254
Loans issued and other receivables	1	1
Total current	**49**	**255**

US Dollars million

13. OTHER FINANCIAL ASSETS (CONTINUED)

Non-current available-for-sale investments in securities are primarily comprised of shares traded on the Russian stock exchanges (MICEX/RTS) and unquoted equity instruments measured at cost in amount of USD 142 million (31 December 2012: USD nil).

As at 31 December 2012, management determined that a significant and prolonged decline in share prices for quoted investments, recognised within available-for-sale investments in securities, indicated an impairment loss. As a result of continuing decline in prices during six months ended 30 June 2013, cumulative loss of USD 571 million was recognised in interim condensed consolidated income statement.

14. CASH AND CASH EQUIVALENTS

		30 June 2013	31 December 2012
Current accounts	- foreign currencies	804	545
	- RUB	260	199
Bank deposits	- foreign currencies	220	75
	- RUB	522	205
Restricted cash and cash equivalents		1	11
Other cash and cash equivalents		2	2
Total		**1,809**	**1,037**

15. SHARE CAPITAL

Authorised, issued and fully paid share capital

	Number of shares	Outstanding balance
Ordinary shares at par value of RUB 1 each		
At 1 January 2013	**190,627,747**	**8**
April 2013: cancellation of treasury shares	(18,470,925)	(1)
June 2013: cancellation of treasury shares	(13,911,346)	(1)
At 30 June 2013	**158,245,476**	**6**

Treasury shares

	Number of shares	Outstanding balance
At 1 January 2013	**32,392,285**	**8,692**
April 2013: cancellation of treasury shares	(18,470,925)	(4,956)
April 2013: sales of treasury shares	(10,014)	(3)
June 2013: cancellation of treasury shares	(13,911,346)	(3,733)
At 30 June 2013	**–**	**–**

On 2 April 2013, the Group reduced its share capital by cancellation of 18,470,925 treasury shares.

Based on the decision of the Annual General Shareholders' Meeting, held on 6 June 2013, the Group's share capital has been reduced by 13,911,346 treasury shares. The cancellation was reflected in the Company's share register on 13 August 2013.

15. SHARE CAPITAL (CONTINUED)

Weighted average number of shares in issue

Weighted average number of shares used in the calculation of basic and diluted earnings per share for the six months ended 30 June 2013 was 158,238,892 shares (for the six months ended 30 June 2012: 158,235,462).

Dividends declared and paid

On 6 June 2013 the Company declared dividends in respect of the year ended 31 December 2012 in the amount of RUB 401 (USD 13) per share for the total amount of USD 1,982 million. The dividends were paid to the shareholders in June 2013.

US Dollars million

16. OTHER RESERVES

	Investments revaluation reserve	Hedging reserve	Revaluation surplus	Translation reserve	Total
Balance at 1 January 2012	**16**	**(20)**	**43**	**(887)**	**(848)**
Decrease in fair value of available-for-sale investments	(480)	–	–	–	**(480)**
Effect of translation to presentation currency and translation of foreign operations	–	–	–	(226)	**(226)**
Total comprehensive loss	**(480)**	**–**	**–**	**(226)**	**(706)**
Balance at 30 June 2012	**(464)**	**(20)**	**43**	**(1,113)**	**(1,554)**
Balance at 1 January 2013	**(3)**	**(19)**	**43**	**(370)**	**(349)**
Decrease in fair value of available-for-sale investments	(95)	–	–	–	**(95)**
Reclassification of cumulative impairment loss on available-for-sale investments to income statement	85	–	–	–	**85**
Realised gain on disposal of available-for-sale investments	13	–	–	–	**13**
Effect of translation to presentation currency and translation of foreign operations	–	–	–	(863)	**(863)**
Total comprehensive loss	**3**	**–**	**–**	**(863)**	**(860)**
Balance at 30 June 2013	**–**	**(19)**	**43**	**(1,233)**	**(1,209)**

US Dollars million

17. LOANS AND BORROWINGS

	Currency	Fixed or floating interest rate	Average nominal rate during the six months ended 30 June 2013, %	Maturity	30 June 2013	31 December 2012
Loans secured by revenue	USD	fixed	3.19%	2016	1,402	1,463
Loans secured by treasury shares	USD	floating	2.81%	2013	–	797
Secured loans					**1,402**	**2,260**
	USD	floating	2.89%	2013-2019	3,157	1,605
	USD	fixed	3.29%	2014	10	620
	Other	floating	8.52%	2016	34	40
Unsecured loans					**3,201**	**2,265**
Corporate Bonds	RUB	fixed	7.53%	2013-2016	1,525	493
	USD	fixed	4.38%	2018	746	–
					2,271	**493**
Finance lease	USD	fixed	12.00%	2013	–	5
Total					**6,874**	**5,023**
Less: current portion due within twelve months and presented as short-term loans and borrowings					**(1,250)**	**(2,526)**
Long-term loans and borrowings					**5,624**	**2,497**

The Group is obliged to comply with a number of restrictive financial and other covenants, including maintaining certain financial ratios and restrictions on pledging and disposal of certain assets.

18. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES

Related parties are considered to include shareholders, affiliates and entities under common ownership and control of the Group's major shareholders and key management personnel. The Company and its subsidiaries, in the ordinary course of their business, enter into various sale, purchase and service transactions with related parties. Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in these interim condensed consolidated financial statements. Details of transactions between the Group and other related parties are disclosed below.

	Sale of goods and services		Purchase of goods and services	
Transactions with related parties	**For the six months ended 30 June 2013**	**For the six months ended 30 June 2012**	**For the six months ended 30 June 2013**	**For the six months ended 30 June 2012**
Entities under common ownership and control of the Group's major shareholders	3	3	11	7
Associates of the Group	39	52	243	238
Total	**42**	**55**	**254**	**245**

US Dollars million

18. RELATED PARTIES TRANSACTIONS AND OUTSTANDING BALANCES (CONTINUED)

Outstanding balances with related parties	Accounts receivable, investments and cash 30 June 2013	Accounts receivable, investments and cash 31 December 2012	Accounts payable, loans and borrowings received 30 June 2013	Accounts payable, loans and borrowings received 31 December 2012
Entities under common ownership and control of the Group's major shareholders	1	2	–	–
Associates of the Group	3	68	54	22
Total	**4**	**70**	**54**	**22**

During six months ended 30 June 2013 the Group purchased from a related party 20% shares in a company which owns various real estate properties. In addition, during six months ended 30 June 2013 the loan previously issued to another related party, which had fully subsequently been impaired, was converted into 42% shares in another company which also owns various real estate properties. Management believes that they do not exercise significant influence over these companies, and, therefore, these investments have been classified as available-for-sale investments. As at 30 June 2013 these investments are stated at initial cost (less impairment losses) amounting to USD 142 million.

Terms and conditions of transactions with related parties

Sales to and purchases from related parties of electricity, heat energy and natural gas supply were made at prices established by the Federal Tariff Service, government regulator responsible for establishing and monitoring prices on the utility and telecommunication markets in the Russian Federation.

19. COMMITMENTS AND CONTINGENCIES

Capital commitments

At 30 June 2013, contractual capital commitments amounted to USD 1,438 million (31 December 2012: USD 1,955 million).

Operating lease

The land in the Russian Federation on which the Group's production facilities are located is owned by the state. The Group leases land through operating lease agreements, which expire in various years through 2060. According to the terms of lease agreements rent fees are revised annually by reference to an order issued by the relevant local authorities. The Group entities have a renewal option at the end of lease period and an option to buy land at any time, at a price established by the local authorities.

At 30 June 2013, the Group had fifteen aircraft lease agreements (31 December 2012: fifteen). The respective lease agreements have an average life of six-years with renewal option at the end of the term.

Future minimum lease payments due under non-cancellable operating lease agreements were as follows:

	30 June 2013	31 December 2012
Due within one year	59	61
From one to five years	149	166
Thereafter	71	66
Total	**279**	**293**

19. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Litigation

The Group had a number of claims and litigations relating to sales and purchases of goods and services. At 30 June 2013, unresolved tax litigations amounted to approximately USD 183 million (31 December 2012: USD 156 million). Management believes that the risk of an unfavorable outcome of the litigation is less than probable, therefore, no provision has been recorded as at the reporting date.

Taxation contingencies in the Russian Federation

The Russian Federation currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include VAT, corporate income tax, insurance contributions to non-budget funds, together with others. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters), are subject to review and investigation by a number of authorities, which are enabled by law to impose fines and penalties. Generally, tax declarations remain open and subject to inspection for a period of three years following the tax year.

While management believes that it has adequately provided for tax liabilities based on its interpretation of current and previous legislation, the risk remains that tax authorities in the Russian Federation could take differing positions with regard to interpretive issues. This uncertainty may expose the Group to additional taxation, fines and penalties.

Potential tax exposures

The Group operates in different jurisdictions and its operations are subject to different tax regimes. Tax legislation in some jurisdictions is unclear, lacks established assessment practice, or may be subject to varying interpretations. There are a number of tax matters which are currently being enquired by relevant tax authorities. Management estimates that in case of adverse resolution of uncertainties in relation to such tax matters, the Group's obligations as at 30 June 2013 may amount to USD 83 million (31 December 2012: USD 83 million). No provision has been recorded in these interim condensed consolidated financial statements in relation to such exposures.

Environmental matters

The Group is subject to extensive federal, state and local environmental controls and regulations in the countries in which it operates.

The Group's management believes that its mining and production technologies are in compliance with all current existing environmental legislation in the countries in which it operates. However, environmental laws and regulations continue to evolve. The Group is unable to predict the timing or extent to which those laws and regulations may change. Such change, if it occurs, may require that the Group modernise technology to meet more stringent standards.

Russian Federation risk

As an emerging market, the Russian Federation does not possess a fully developed business and regulatory infrastructure including stable banking and judicial systems, which would generally exist in a more mature market economy. The economy of the Russian Federation is characterised by a currency that is not freely convertible outside of the country, currency controls, low liquidity levels for debt and equity markets, and continuing inflation. As a result, operations in the Russian Federation involve risks that are not typically associated with those in more developed markets. Stability and success of Russian economy and the Group's business mainly depends on the effectiveness of economic measures undertaken by the government as well as the development of legal system.

US Dollars million

20. FINANCIAL INSTRUMENTS

Management believes that the carrying value of financial instruments such as cash (refer to note 14), short-term accounts receivables and payables, short-term loans given (refer to note 13), long-term available-for-sale investments (refer to note 13) values of which were mainly determined with reference to quoted market prices, approximate their fair value.

Certain financial instruments such as long-term accounts receivable, long-term promissory notes receivable and finance leases obligations were excluded from fair value analysis either due to their insignificance or due to the fact that assets were acquired or liabilities assumed close to the reporting dates and management believes that their carrying value either approximates their fair value or may not significantly differ from each other.

At 30 June 2013 the fair value of short-term promissory notes receivable and bonds calculated based on the present value of future cash flows, discounted at the best management estimation of market rates, does not significantly differ from carrying value of these notes.

The Group is exposed to the market risk in respect of its quoted investments, with carrying value amounting to USD 671 million as at 30 June 2013 (31 December 2012: USD 1,469 million). Any further decline in fair value of those investments, for which impairment losses have been recognised, will be recorded in the income statement.

Presented below is information about loans and borrowings, whose carrying values differ from their fair values.

	30 June 2013		31 December 2012	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Loans and borrowings, including:				
Variable-rate loans and borrowings	3,191	3,066	2,441	2,424
Fixed-rate loans and borrowings	1,412	1,417	2,084	2,088
Corporate bonds	2,271	2,257	493	492
Total	**6,874**	**6,740**	**5,018**	**5,004**

The fair value of financial assets and liabilities presented in table above is determined as follows:

- the fair value of corporate bonds was determined based on market quotations existing at the reporting dates;
- the fair value of variable-rate and fixed rate loans and borrowings at 30 June 2013, was calculated based on the present value of future cash flows (principal and interest), discounted at the best management estimation of market rates, taking into consideration currency of the loan, expected maturity and risks attributable to the individual borrower exists at the reporting date. The discount rates ranged from 3.02% to 4.35% for USD-denominated loans and borrowings (2012: from 3.29% to 4.70%).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurement are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

US Dollars million

20. FINANCIAL INSTRUMENTS (CONTINUED)

	30 June 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Available-for-sale investments in securities	671	–	142	**813**
Derivative financial instruments	–	46	–	**46**
Total	**671**	**46**	**142**	**859**
Financial liabilities				
Derivative financial instruments	–	4	–	**4**
Total	**–**	**4**	**–**	**4**

	31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Available-for-sale investments in securities	1,389	–	–	**1,389**
Available-for-sale investment in convertible notes	–	80	–	**80**
Derivative financial instruments	–	–	–	**–**
Total	**1,389**	**80**	**–**	**1,469**
Financial liabilities				
Derivative financial instruments	–	3	–	**3**
Total	**–**	**3**	**–**	**3**

During six months ended 30 June 2013 there were no reclassifications of financial assets as a result of a change in the purpose or use of those assets and any transfers between levels of fair value hierarchy used in measuring the fair value of financial instruments.

21. EVENTS SUBSEQUENT TO THE REPORTING DATE

In July 2013 the Group repaid bonds of series BO-03 in the amount of USD 457 million, classified as current liabilities as at 30 June 2013, denominated in Russian Roubles and maturing in 2013 with coupon rate 7.0% per annum.

In July 2013 the Group early repaid loan in the amount of USD 270 million, classified as non-current liabilities as at 30 June 2013, denominated in US dollars and maturing in 2014 with coupon rate 4.9% per annum.